

BALDWIN • LIMA • HAMILTON

Annual Report

1955

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BALDWIN - LIMA - HAMILTON CORPORATION

DIRECTORS •	JAMES F. CONNAUGHTON	Wayne, Pennsylvania
	H. E. COOMBE	Cincinnati, Ohio
	JOSEPH N. EWING	Valley Forge, Pennsylvania
	EDWARD HOPKINSON, JR.	Chestnut Hill, Pennsylvania
	MCCLURE KELLEY	Glen Moore, Pennsylvania
	ERWIN LOEWY	New York, New York
	WM. CLARKE MASON	Chestnut Hill, Pennsylvania
	JAMES H. MCGRAW, JR.	New York, New York
	ROBERT B. MURRAY, JR.	Rosemont, Pennsylvania
	FREDERIC A. POTTS	Ambler, Pennsylvania
	WILLIAM WOOD PRINCE	Chicago, Illinois
	GEORGE A. RENTSCHLER	Cincinnati, Ohio
	WALTER A. RENTSCHLER	Hamilton, Ohio
	JOHN J. ROWE	Cincinnati, Ohio
	MARVIN W. SMITH	Wynnewood, Pennsylvania
	RALPH K. STILES	Aurora, Illinois
	O. DEG. VANDERBILT, III	Wynnewood, Pennsylvania
	JAMES M. WHITE	Scarsdale, New York

OFFICERS •	GEORGE A. RENTSCHLER	Chairman of the Board
	MCCLURE KELLEY	President
	MARVIN W. SMITH	Chairman of the Executive Committee
	O. DEG. VANDERBILT, III	Vice President in Charge of Commercial Activities
	JAMES M. WHITE	Vice President—Manufacturing
	ROBERT B. MURRAY, JR.	Vice President
	CHARLES E. ACKER	Vice President, Secretary and Treasurer
	PERRY A. WHITE	General Controller

TRANSFER AGENTS •	IN PHILADELPHIA	Fidelity-Philadelphia Trust Company
	IN NEW YORK	Bankers Trust Company
	IN CINCINNATI	The Fifth Third Union Trust Company

REGISTRARS •	IN PHILADELPHIA	The First Pennsylvania Banking and Trust Company
	IN NEW YORK	The First National City Bank of New York
	IN CINCINNATI	The Central Trust Company

HIGHLIGHTS OF THE YEAR

	1955	1954
Net sales.....	\$160,300,000	\$155,200,000
Net income and special credit.....	\$3,656,000	\$4,066,000
Per share.....	\$0.84	\$0.95
Cash dividends paid.....	\$2,586,000	\$3,630,000
Per share.....	\$0.60	\$0.80
Cash dividends declared.....	\$2,162,000	\$3,533,000
Per share.....	\$0.50	\$0.80
Shareholders' equity.....	\$111,245,000	\$109,300,000
Per share.....	\$25.61	\$25.46
Working capital.....	\$63,943,000	\$65,843,000
Per share.....	\$14.72	\$15.34
Additions and improvements to facilities.....	\$2,510,000	\$2,103,000
Depreciation and amortization charged to income..	\$3,442,000	\$3,268,000
Unfilled orders.....	\$102,508,000	\$78,506,000
Orders received.....	\$191,854,000	\$121,402,000
Number of shareholders.....	21,742	20,893
Number of employees.....	13,224	10,189

TO THE SHAREHOLDERS:

GENERAL

Although many industries reported records with respect to sales and profits, never before equalled, for the year 1955, this has been, as we forecasted last Spring, a difficult year for B-L-H—but, a year of transition; we believe a year that will one day contribute to the Corporation's profits.

You will recall that Westinghouse Electric Corporation owned a substantial block of stock in our Company. This holding constituted virtual control and rightfully entitled them to dominant policy determination. However, since railroad dieselization proceeded much more rapidly than the foremost experts had predicted, and as Westinghouse gradually became committed to a policy of using its capital funds in its own unified manufacturing facilities, it was possible for B-L-H to reacquire Westinghouse holdings of 515,000 shares at a price of \$9.00 per share.

Present management then was called on to assume immediate responsibility for many long-standing problems facing the Corporation. We had to come to grips with these issues at once.

As previously pointed out, probably the most difficult of these, existing for many years but never before resolved, was the Eddystone plant account; to wit: either the profitable utilization or liquidation of existing buildings and facilities. The property account at Eddystone, covering 381 acres with several buildings representing each about one million square feet under one roof, was constructed many years ago by the Baldwin Locomotive Works for the sole purpose of complete, integrated manufacture of steam locomotives of various types.

Where possible, this property subsequently was partially converted to diesel locomotive construction and to manufacture of other heavy machinery. But, large sections of the plant account, costly to maintain, to heat, and upon which high taxes are levied, could never be profitably utilized. In other words, it is not economically sound to operate certain of these facilities.

As previously announced from time to time, certain land and facilities have been disposed of and negotiations have been concluded for the conveyance later in 1956 of additional land at Eddystone, with two large and five smaller buildings thereon, having an area of approximately one and three-quarters million square feet under roof. Every effort is being made with respect to the relocation of equipment and services related to these facilities and the orderly liquidation of equipment no longer required, all in accordance with a comprehensive logistical plan, with but a single objective—to manufacture more economically. Understandably, this is a large and costly undertaking, but we believe therein lies the key to our future.

Plans are now under way, and construction will soon begin, to modernize our remaining shops at Eddystone, again in an effort to provide greater efficiency with respect to handling materials and the work-flow.

In this report, on page 11, is an artist's projection of the new plant under construction at Waltham, Mass. This plant is scheduled for completion in the early fall of this year. It will constitute the home for our Electronics and Instrumentation Division, established about a year ago. Materials testing equipment and related devices have been a part of the Eddystone operation and this work, together with the devices and component parts built by the Corporation's wholly-owned subsidiaries, O. S. Peters Company, Washington, D. C.; Sonntag Scientific Corporation, Greenwich, Conn.; and Ruge-deForest, Cambridge, Mass., will be re-established at Waltham. The Executive, Research and Engineering Departments of this Division also will be centered there.

RECASTING OUR ORGANIZATION

Present B-L-H management has committed itself to a program of centralized executive policy and decentralized administration. Centralization of policy makes possible directional control and coordination. Decentralization of administration develops initiative and responsibility.

Accordingly, Corporate headquarters have been established in Philadelphia. Our top echelon there, we believe, has been strengthened by the addition of experienced executives.

The completion of the plant at Waltham, Mass., will enable manufacture to be concentrated in eight cities around the country: heavy machinery and locomotives at Hamilton, Eddystone and San Francisco, supplemented by the wholly-owned engineering division now known as Loewy-Hydropress, with headquarters in New York; Construction Equipment Division with manufacturing at Lima, Ohio, Aurora, Illinois, and Los Angeles; Electronics and Instrumentation Division, centered at Waltham, Mass.; and the Standard Steel Works Division at Burnham, Pa.

Our program of decentralized administration places a Vice President in charge of each of these divisions. These operational Vice Presidents, together with certain executive staff members, constitute the Company's operating committee, under the chairmanship of the Company's President.

FINANCIAL

Shipments in 1955, \$160,300,000, were approximately the same as in the previous year, a figure of \$155,200,000. A shortage of steel persisted throughout the year and the dollar value of shipments would undoubtedly have been raised with a greater availability of steel. At this writing, however, this situation has not materially improved.

The backlog at the year-end of 1954 amounted to \$78,506,000. As of December 31, 1955, the backlog amounted to \$102,508,000, being 31% higher. We are happy to go into the new year with this increased volume of business on our books. There has been a steady, constant flow of new business during the past quarter. Dividends on

the Company's stock totaling 60¢ per share were paid on January 31, April 30, July 30 and October 31, 1955.

SUMMATION

We must once more reiterate that we are dedicated to developing a new and modern structure representing a sound investment. Time, however, remains the most important factor. In an engineering business such as this, development work takes time and is costly; much of the product that B-L-H builds is tailor-made.

Our earth-moving machinery line, we are happy to state, has been comprehensively developed. Mechanical and hydraulic presses have been completely redesigned; this line has been expanded. We are quite hopeful, with respect to the Electronics and Instrumentation Division, a new but a growing field. We have a technical staff carefully chosen to meet the demands of this expanding business. We have maintained and improved our hydraulic turbine engineering.

Progress has been made with respect to placing in manufacture the products of the Loewy-Hydropress Division.

We have previously reported to you concerning the feasibility study of nuclear-powered locomotives. We are carrying on this project in conjunction with the consulting firm of Walter Kidde Nuclear Laboratories, Inc. While the manufacture of such a locomotive is now scientifically possible with a conventional reactor, this would be difficult and perhaps dangerous. Our studies are, therefore, directed toward another approach, the feasibility of which is not certain at this time.

Last summer we turned over to the United States Army a new type of locomotive—powered with a mechanical-hydraulic drive which eliminates electrical equipment. This locomotive has proved itself. This radical departure from former locomotive design practice is now taking shape in the famous "Train X", the dream of Mr. Robert R. Young. Trains for the New York Central and the New Haven, built by Pullman-Standard, powered by locomotives of this new design, built by B-L-H, are scheduled to be ready for their trial runs in the Spring. It is general knowledge that many roads are forced to use approximately one-half of their freight profits to balance their passenger losses. It is not impossible that the new B-L-H locomotive and "Train X" will go a long way in helping to solve the railroads' plaguing passenger-deficit problem.

Development work of this magnitude, as costly as it is, is essential. Again, only time will give the answer, but we believe that "Train X" is an excellently calculated risk.

Aware of the work that lies ahead, B-L-H faces the future with confidence.

McCLURE KELLEY
President

GEORGE A. RENTSCHLER
Chairman of the Board

March 9, 1956

HEAVY MACHINERY, LOCOMOTIVES, ENGINEERING

EDDYSTONE DIVISION

James F. Connaughton
Vice President and General Manager

R. Nevin Watt
Vice President

PRODUCTS

Locomotives
Commercial Weldments and Fabrication
Diesel Engines
Water Power Turbines Hydraulic Presses
Railway Dump Cars
Brass and Bronze Castings
Ship Propellers

PLANT

Eddystone, Pennsylvania

Progress has been made toward the corporate objective of consolidating the Eddystone activities into a smaller, concentrated area, modernizing and improving facilities to attain greater efficiency and lower production costs.

A new 35-foot Hamilton Niles Boring Mill has been installed. Additions to the Hydraulic Laboratory will permit increased facilities for research and development of hydraulic turbines and pumps.

A prototype locomotive, the first in American history to utilize hydraulic transmission power

in place of conventional, complex electrical equipment, for railroad service, was delivered to the U. S. Army this year, with performance tests equalling highest expectations.

Three locomotives, also utilizing the new hydraulic transmission power, to pull the new "Train X", were ordered—one by the New York Central and two by the New York, New Haven and Hartford Railroads. These are scheduled for Spring delivery in 1956, as part of this Division's development work in high speed rail transportation.

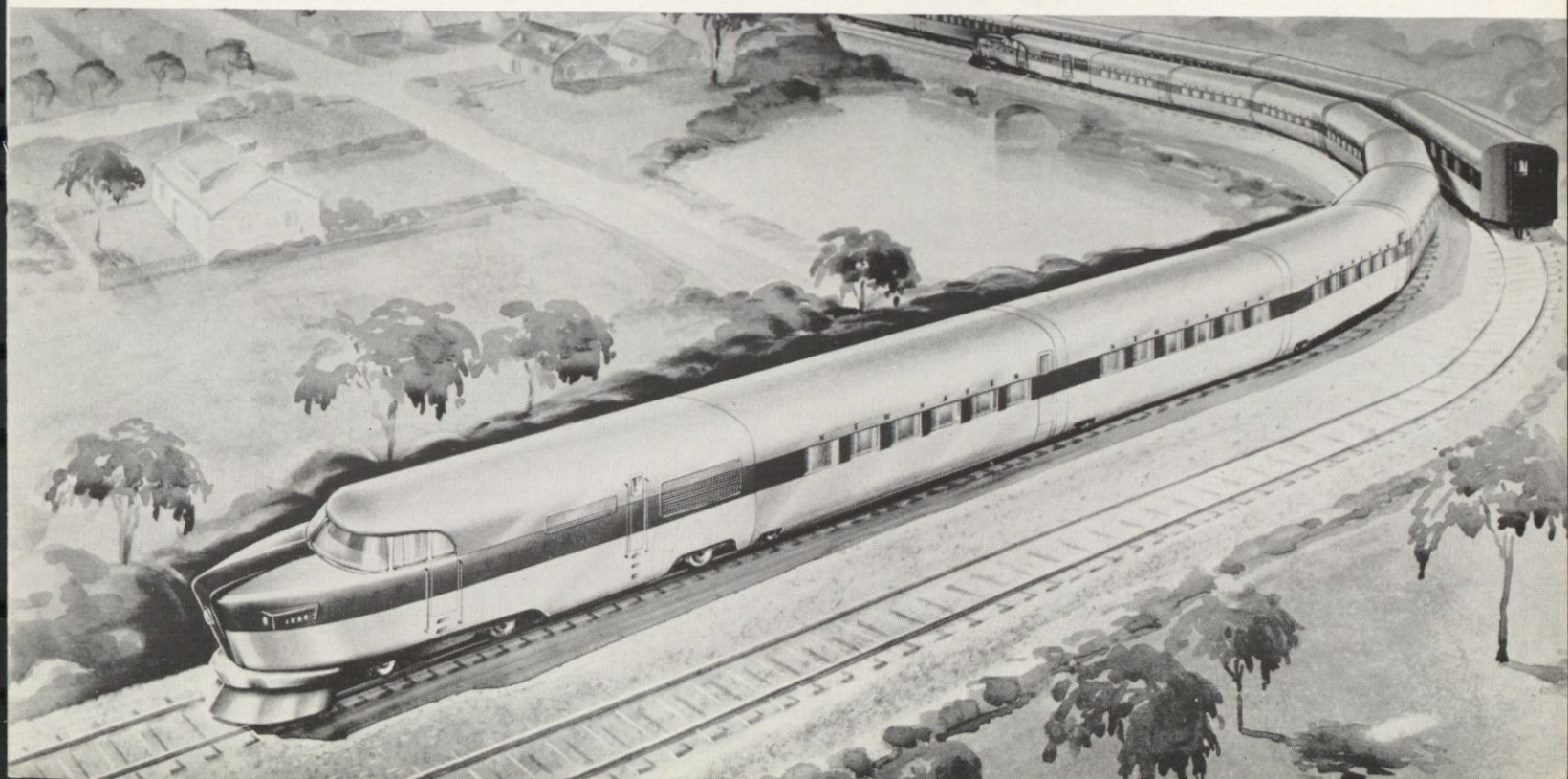
A newly designed, 300-ton, wheel mounting press, greatly to reduce time required for car wheel mounting, has been completed for the Seaboard Air Line Railway.

Dump car orders were the second highest in the Division's history. This included the largest dump car ever built, a 60-yard dump car built for the United States Steel Michigan Limestone Division.

While shipments in total horsepower for hydraulic turbines maintained a good record, due to a large backlog, foreign competition for American domestic orders, aided by such factors as low foreign wage rates and governmental advantages, became of serious concern.

The program of diversification has progressed considerably at this Division. Large propel-

B-L-H "Mechydro" locomotive



lers for the U. S. S. *Forrestal* were delivered; additional orders for the new Navy super-carrier, the U. S. S. *Saratoga*, were placed in work. Further development of the new metal, "Nialite", contributed to increased business, with its advantages expected to create growing demand for replacement propellers and the other new shipbuilding requirements.

Steel fabrication work, being pursued vigorously, has been encouraging. Tube sections for the Hampton Roads Vehicular Tunnel have been constructed and delivered. A large portion of an initial order from the New Jersey Turnpike Commission has been shipped and additional orders for this type of product have been received. Spillway gates for the St. Lawrence Seaway Project, as well as the hydraulic turbines for this project, will be produced by this Division.

Work also is well under way in wind tunnel development, with plans for expansion after delivery of the nozzle section for the Tullahoma, Tenn., Transonic Wind Tunnel.

Sales of hydraulic presses continue to increase. A large plastics laminating press, a new self-contained loop type press for the plywood industry and an expanded interest in powdered metal presses were 1955 developments at this Division.

HAMILTON DIVISION

Walter A. Rentschler

Vice President and General Manager

Robert G. Tabors

Vice President and

Assistant General Manager

Albert Clements

Vice President

PRODUCTS

Forming and Stamping Presses

Industrial and Railroad Machine Tools

Hamilton Diesel Engines

Cane Milling Machinery

Can Making Machinery

Glass Grinding and Polishing Machinery

Heavy Iron Castings

Weldments

PLANTS

Hamilton and Middletown, Ohio

The 1955 year-end backlog of orders was four times higher than at the close of 1954, due primarily to orders received during the second half of the year.

As the only company in the United States designing and manufacturing certain types of unusual glass-making equipment, Hamilton received outstanding orders in this phase of the Division's operations.

The Ford Motor Company contracted for the design and manufacture of grinding and polishing line machinery for its new automotive glass-making plant, now under construction at Nashville, Tennessee. Completion of this equipment, formed as an oval approximately 8/10ths of a mile around, is scheduled for late 1956.

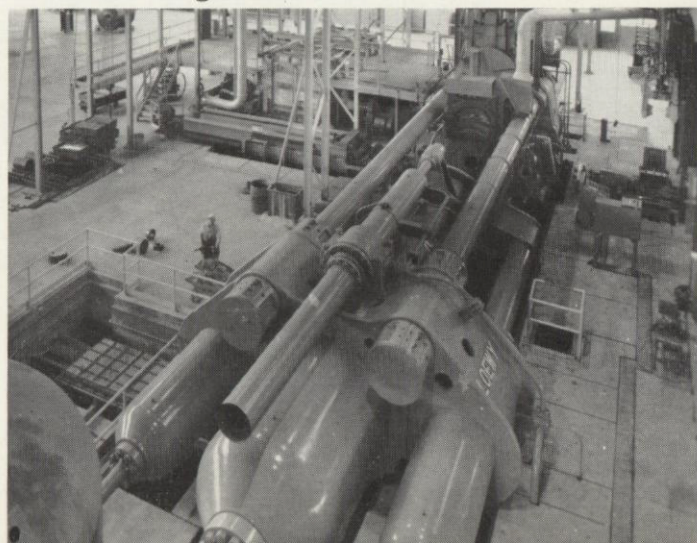
A complete line of plate-glass grinding and polishing equipment has recently been delivered to the Libbey-Owens-Ford Company's Toledo plant. A similar installation will be shipped to the same company's Ottawa, Illinois, plant early in 1956.

Orders for heavy mechanical presses, used by the automotive industry for body, fender and other automobile and truck part production, have increased substantially. This entire line has recently been re-designed and the re-engineering of various other heavy tools manufactured by this Division is in progress. Mr. Albert Clements, an outstanding mechanical press engineer, joined the organization in 1955 and the Engineering Department has been further expanded.

New high-speed designs in can making machinery, completed after two years of preparations, have resulted in highly successful installations indicating considerable B-L-H progress toward leadership in this field.

Developments in the Corporation's diesel engine design resulted in B-L-H Hamilton heavy-duty engines being used for conversion of a Liberty Ship from steam to diesel power, and in the successful application to river tow-boat operations of a locomotive type diesel engine.

*Loewy 12,000 ton extrusion press at
Curtiss-Wright Buffalo*



LOEWY-HYDROPRESS DIVISION

Erwin Loewy

Vice President and General Manager

Hugo Lorant

Vice President

PRODUCTS

Hot and Cold Rolling Mills for Steel and
Non-Ferrous Metals

Complete Rolling Mill Installations

Heavy Hydraulic Machinery and

Auxiliary Equipment

Pipe Testing Machines

Special Pipe Mill Equipment

Pumps Accumulators Die Casting Machines

Industrial Engineering General Contractors

OFFICES

350 Fifth Avenue, New York 1, N. Y.

Two of the largest heavy presses in industrial history were engineered and placed in operation during 1955, in completion of this Division's part of the United States Air Force heavy press program.

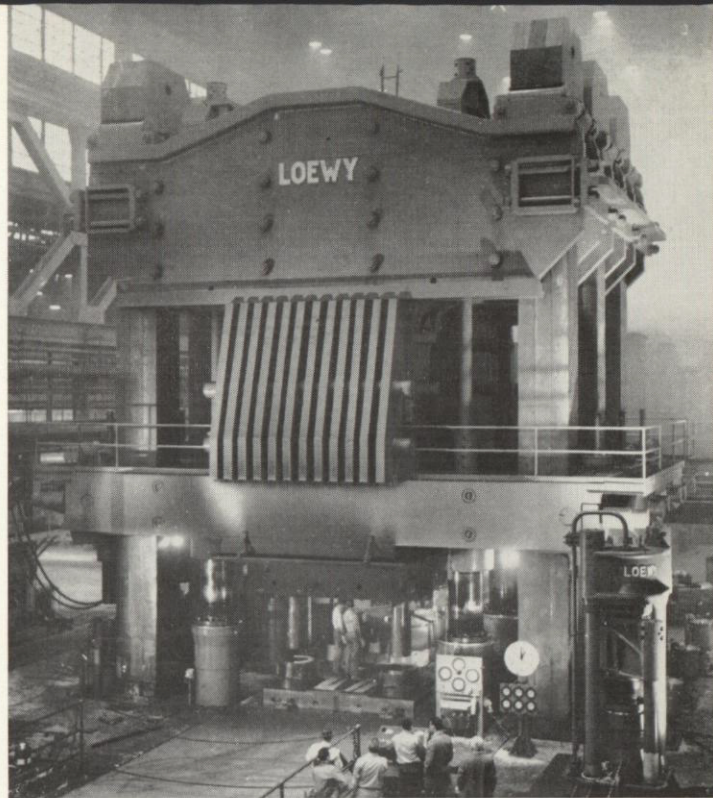
This equipment, a 35,000 ton and a 50,000 ton forging press, now is operating successfully on a 3-shift per-day basis.

Two 8,000 ton extrusion presses were placed in operation at the Halethorpe, Maryland, plant of the Kaiser Aluminum and Chemical Corporation, producing parts required in a new supersonic airplane construction. Another extrusion press, 12,000 ton, was placed in operation for steel extrusion at the Curtiss-Wright Buffalo plant.

This Division developed a new ring rolling process, now in use for jet engine ring production for the Navy Department. The Hydraulic Press Department also delivered a number of installations of various types of non-ferrous metal extrusion presses and of forging presses of special design.

A new process for forming of metal by rubber pad dies, patented under the name, "Marform", has been installed in several plants and presents good possibilities for forming of titanium and other aircraft industry metals.

The largest mill ever designed for tapered sheet (to a width of 154 inches) has been completed by the Rolling Mill Department. Its results caused the Kaiser Aluminum and Chemical Corporation to order a number of mills for expansion



*Loewy 50,000 ton "Major" forging press
for U. S. Air Force*

of their Ravenswood, California, plant.

Further development of our pipe testing equipment is now in process, due to more stringent requirements for pipe drilling equipment. Other developments include special installations for the heavy armor plate mill at Coatesville, Pennsylvania, for the Lukens Steel Company, and two cold rolling mills for the U. S. Steel Corporation, with installations of our equipment having been made in various foreign countries (Japan, Formosa, India, Turkey, Austria, France, South Africa, Germany and Canada).

PELTON DIVISION

William F. Boyle

Vice President and General Manager

PRODUCTS

Hydraulic Turbines

Governors and Controllers for Hydraulic Turbines

Large Centrifugal Pumps

Hydraulic Valves

Surge Suppressors and Air Valves for

Waterline Protection

Water Strainers

Hydraulic Oil Well Pumping Jacks

PLANTS

San Francisco and Los Angeles, California

While 1955 was almost a record year for this Division in terms of new business and bookings, low activity in the hydraulic turbine business during 1954 resulted in a relatively disappointing period with respect to billings and profits.

This is the result of increased foreign competition in the nationally-essential hydraulic turbine field, with foreign producers able to sell within the United States lower than American prices. The vast price differentials are due to very low wage standards abroad and to the ability of non-American producers to disregard requirements of such American laws as the Child-Labor Law, Walsh Healy Act, 8-hour law and many others, in competing against American firms in our own domestic market.

Nevertheless, this Division received orders for five large hydraulic turbines, totalling 492,000 h.p. and twenty-eight hydraulic turbine governors to control 2,290,000 h.p. of turbine capacity.

Our newest product line, water works valves, showed an encouraging amount of activity and this Division also started West Coast manufacture of hydraulic presses. The first was a 1,287 ton press, produced from Eddystone Division designs, for installation at Grants Pass, Oregon.

Our engineering development work took significant steps this year. Work has progressed on impulse turbines, governors and valves for the water works industry.

The largest impulse turbine ever built, a 150,000 h.p., 300 rpm, 2500 ft. head B-L-H Pelton vertical impulse turbine for the Kemano Plant of the Aluminum Company of Canada's Kitimat Project, received the highest tested peak efficiency (over 92%) ever attained by Pelton for this type of turbine.

A second turbine of this type has been on order since May, 1954, and purchase of a third is now in negotiation.

The planning for plant and equipment im-

provement, instituted following World War II, has been laid out on a long range program.

STANDARD STEEL WORKS DIVISION

John D. Tyson

Vice President and General Manager

PRODUCTS

Steel Forgings	Steel Castings	Steel Tires
Wrought Steel Wheels	Steel Springs	
Weldless Rings		

PLANT

Burnham, Mifflin County, Pennsylvania

The year, 1955, was this Division's largest peacetime year, from the standpoint of dollar volume, bookings and shipments.

Since July, 1955, the orders backlog increased approximately forty percent and the 1956 outlook is better than a year ago.

During the year, our sales organization and sales coverage were considerably strengthened. This resulted in an increase of new customers, the number in 1955 being 31% more than obtained in 1954. Increased participation in industrial, as well as railroad business, is reflected in this Division's improved bookings.

As part of the corporate program for over-all re-tooling of facilities, various new machine tools were installed, resulting in further product diversification and reduction in costs.

Gas turbine blade wheel center development has progressed, permitting manufacture of this type of product in larger sizes on a regular production basis. These centers, fabricated of high alloy steel, are subject to extremely severe specification requirements, including ultrasonic testing.

This Division also has been successfully producing a number of high alloy die steel rings for hot work purposes, another step in the over-all diversification program.

CONSTRUCTION EQUIPMENT

CONSTRUCTION EQUIPMENT DIVISION

Henry F. Barnhart
Divisional General Manager

LIMA WORKS

Henry F. Barnhart
Vice President and General Manager

PRODUCTS

Power Shovels	Cranes	Draglines
Pull Shovels	Rock Crushing Equipment	

PLANT

Lima, Ohio

The accelerated Federal and State highway building programs have resulted in an increased demand for machinery and equipment for highway construction and allied activities.

Research and development work continue to receive stress at this Division. A new half-yard machine has been placed in production at Lima and appears to be making its mark. Engineering has been completed for a new intermediate size machine, designed largely for work in cities where long booms are required for concrete and material handling for construction of tall buildings.

The construction industry gained momentum during 1955, benefiting the Shovel and Crane Department. The St. Lawrence Seaway Project proved to be an important 1955 business factor

for B-L-H Lima. There has been an active market for 25 to 60 ton cranes, both crawler-mounted and rubber-mounted. Revival within the coal-stripping industry has resulted in a volume of larger shovels and draglines for this field.

Work of the Rock-Crushing Department has been increasing. A new line of diesel electric portable crushing plants has been engineered and are being well received. A sizeable segment of Lima production was export shipments of construction equipment to more than 40 countries during 1955.

The B-L-H Lima plant is in fine condition, as a result of plant rearrangement, long-range maintenance, rapidly-progressing new tooling programs and installation of late-type machine tools.

AUSTIN-WESTERN WORKS

Charles M. Lippincott
Vice President and General Manager

PRODUCTS

Road Graders	Hydraulic Cranes
Road Rollers	Street Sweepers

PLANT

Aurora, Illinois

In accordance with the corporate program to consolidate for the purpose of increased efficiency and lower costs, operations of the Rochelle, Illinois, plant were transferred to the Aurora, Illinois, plant, permitting steps to be taken for the disposal of the Rochelle plant, negotiations now being under way.

Sales of the self-propelled hydraulic crane for commercial use have more than doubled during the past year. Production of military hydraulic cranes, however, has diminished during 1955, because of lessened requirements by the Government.

This plant re-designed its motor grader line in 1955, to attain the most complete application of power-to-wheels of any motor grader now made in this country. The grader line now offers a 4-wheel and steer type, a 6-wheel drive and steer type and a 6-wheel type, with power on the rear four wheels

Lima crane erecting a Madsen asphalt mixing plant



only. As a result, sales have been steadily increasing each month.

The B-L-H Austin-Western road roller line has been completely re-designed, and engineering of a new, larger type street sweeper, with hopper capacity of $4\frac{1}{4}$ yards (compared with the present model of 2 cu. yards) has been completed.

MADSEN WORKS

Henry F. Barnhart

Vice President and General Manager

Walter Madsen

Vice President

In Charge of Research and Development

PRODUCTS

Asphalt Paving Plants

Aggregate Dryers and Dust Collectors

Cement Finishers

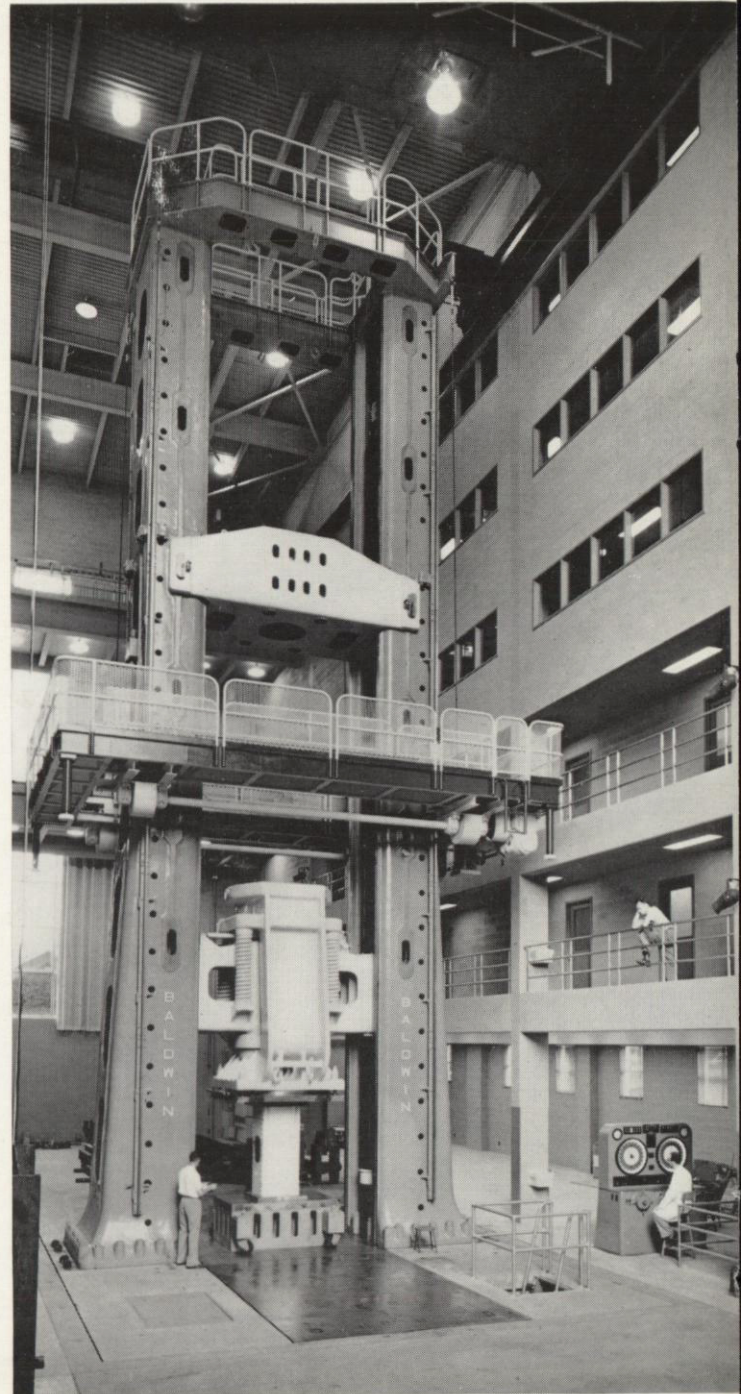
PLANT

La Mirada, California

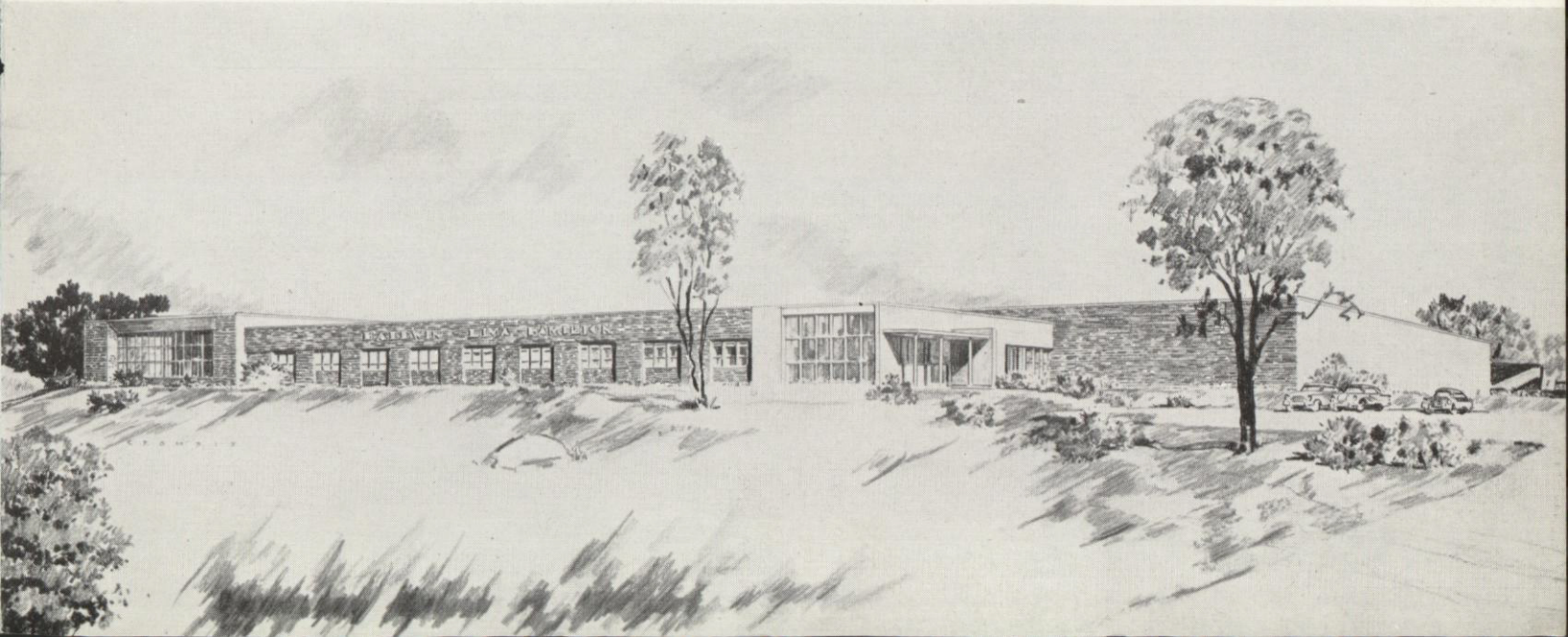
Plans for development of equipment to fulfill demands of the Federal, State and local government road-building programs are well under way.

Larger and smaller asphalt plants are well along in their development and a new Super Float Cement Finisher has already been placed on the market, as a step in the expansion of the entire road-building equipment line.

Austin-Western versatile hydraulic crane



The new 5,000,000 lb. Universal Testing Machine at Lehigh University



BALDWIN-LIMA-HAMI*and sub***CONSOLIDATED****December 31,**

ASSETS			
		1955	1954
CURRENT ASSETS:			
Cash.....		\$6,613,993	\$8,733,016
U. S. Treasury bills at cost.....		—	2,992,675
Trade receivables (less reserve, \$236,000 in 1955 and 1954).....		31,250,533	20,675,813
Inventories at lower of cost or market (less re- serve, \$1,101,000 in 1955 and \$1,160,000 in 1954).....		59,068,396	52,706,234
Prepaid expenses.....		255,016	242,052
Total Current Assets.....		\$97,187,938	\$85,349,790
 TRADE RECEIVABLES—Not due within one year ...		6,939,285	6,966,181
 INVESTMENTS—At cost (less reserve, \$12,499 in 1954).....		446,965	461,539
 PROPERTY, PLANT AND EQUIPMENT—At cost (less reserve for depreciation and amortization, \$53,781,183 in 1955 and \$51,232,277 in 1954)..		38,389,689	38,567,079
 ENGINEERING, PATENTS, PATTERNS, ETC. of com- panies acquired in 1955—At cost less amortiza- tion.....		3,125,429	—
		<u>\$146,089,306</u>	<u>\$131,344,589</u>

See Notes to

LTON CORPORATION

subsidiaries

BALANCE SHEET

1955 and 1954

	1955	1954*
LIABILITIES		
CURRENT LIABILITIES:		
Notes payable, banks.....	\$12,000,000	\$1,000,000
Accounts payable, trade.....	12,015,838	7,525,497
Dividend payable.....	434,359	858,717
Advances on sales orders.....	1,569,492	548,359
Taxes on income.....	1,869,449	4,949,680
Other taxes, wages, commissions, etc.....	5,355,347	4,624,175
Total Current Liabilities.....	\$33,244,485	\$19,506,428
NOTES PAYABLE, BANKS—Not due within one year	—	1,000,000
RESERVES FOR PRODUCT GUARANTEES AND OTHER EXPENSES.....	1,600,000	1,538,000
SHAREHOLDERS' EQUITY:		
Common stock, \$13 par:		
Authorized, 5,000,000 shares		
Issued, 4,782,778 shares.....	62,176,114	62,176,114
Surplus:		
Capital in excess of par value.....	26,827,335	26,827,335
Accumulated earnings reinvested in the business.....	26,194,109	24,699,449
	\$115,197,558	\$113,702,898
Less treasury common stock at cost, 439,193 shares in 1955 and 489,193 shares in 1954..	3,952,737	4,402,737
Total Shareholders' Equity.....	\$111,244,821	\$109,300,161
	\$146,089,306	\$131,344,589

* Amounts reclassified for comparison.

Financial Statements

BALDWIN-LIMA-HAMILTON CORPORATION
and subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For the Years Ended December 31, 1955 and 1954

INCOME:	1955	1954
Net sales.....	\$160,346,569	\$155,195,012
Royalties and licenses.....	551,943	316,346
Interest earned.....	508,340	409,153
Miscellaneous.....	260,213	172,753
Total.....	<u>\$161,667,065</u>	<u>\$156,093,264</u>
COSTS AND EXPENSES:		
Cost of products sold including engineering, selling and administrative expenses.....	\$154,324,532	\$145,878,024
Depreciation and amortization.....	3,442,010	3,267,763
Contributions for employees' retirement.....	1,442,017	1,072,489
Net loss (profit) on sale of property.....	(513,655)	1,047,060
Taxes on income (1954 net of \$1,175,941 un- required provision of prior years).....	950,000	489,059
Interest expense.....	261,900	190,844
Miscellaneous.....	3,808	82,005
Total.....	<u>\$159,910,612</u>	<u>\$152,027,244</u>
NET INCOME.....	\$1,756,453	\$4,066,020
UNREQUIRED INCOME TAX PROVISION OF PRIOR YEARS.....	1,900,000	—
NET INCOME AND SPECIAL CREDIT.....	<u>\$3,656,453</u>	<u>\$4,066,020</u>

**CONSOLIDATED STATEMENT OF
ACCUMULATED EARNINGS REINVESTED IN THE BUSINESS**

For the Year Ended December 31, 1955

Balance, January 1, 1955.....	\$24,699,449
Net income and special credit.....	3,656,453
	<u>\$28,355,902</u>
Cash dividends declared on common stock.....	2,161,793
Balance, December 31, 1955.....	<u>\$26,194,109</u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

- (1) The consolidated financial statements for 1955 include the assets, liabilities and operations of subsidiaries acquired in 1955—Hydropress, Inc. and its wholly owned subsidiary Loewy Construction Company, Inc.; Madsen Iron Works, Inc.; and Ruge-deForest, Inc.

During 1955 all active subsidiaries, except two small companies, were liquidated into Baldwin-Lima-Hamilton Corporation and became operating divisions of the Company.

- (2) The Executive Stock Option Plan provides that the Company may sell under option to key executives of the Company not in excess of 200,000 shares of the Company's common stock at prices not less than 95% of market value. As of December 31, 1955 there were outstanding options to employees for purchase of 75,500 shares of common stock for an aggregate of \$899,313. No options were exercised during 1955.
- (3) Reference is made to the accompanying report of the Chairman and the President regarding changes planned in the operating properties and facilities of the Company. It is not presently practicable to measure the adjustments which may be required by these changes, but they are not expected to be material in relation to the shareholders' equity.

REPORT OF AUDITORS

To the Shareholders of

BALDWIN-LIMA-HAMILTON CORPORATION:

We have examined the consolidated balance sheet of Baldwin-Lima-Hamilton Corporation and Subsidiaries as of December 31, 1955, and the related consolidated statements of income and surplus for the year then ended. We were unable to obtain confirmation of certain amounts due from the United States Government but we satisfied ourselves as to such amounts by other auditing procedures. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and the consolidated statements of income and surplus present fairly the consolidated financial position of Baldwin-Lima-Hamilton Corporation and subsidiaries at December 31, 1955, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY

Philadelphia, Penna.,
February 29, 1956.

CORPORATE NOTES—1955

EXECUTIVE PERSONNEL • McClure Kelley, formerly Executive Vice President, was elected President on May 5, 1955, in succession to Marvin W. Smith, named Chairman of the Executive Committee.

James M. White, former Vice President of ACF Industries, was elected Vice President—Manufacturing.

J. Robert Martin, former Chief of Procurement, Air Research Development Center, Baltimore, Md., was named Vice President of the new Electronics and Instrumentation Division.

Robert G. Tabors, Assistant General Manager of the B-L-H Hamilton Division, was elected a Vice President in addition to his present post and Albert Clements was elected a Vice President of the B-L-H Hamilton Division.

As a result of all wholly-owned active subsidiaries (with two exceptions) being integrated into the new divisional program, the following executive changes were also made:

Erwin Loewy was elected Vice President and General Manager and Hugo Lorant was elected Vice President of the B-L-H Loewy-Hydro-press Division;

Charles M. Lippincott, former Austin-Western controller, was named Vice President and General Manager of the B-L-H Austin-Western Works;

William F. Boyle was elected a corporate Vice President in charge of West Coast Operations, including the post of general manager of the B-L-H Pelton Division. Henry F. Barnhart was elected Vice President and General Manager and Walter Madsen was named Vice President in charge of Research and Development for the B-L-H Madsen Works.

RETIREMENTS • Ralph K. Stiles, formerly President of the Austin-Western Company, retired at the end of 1955, after 23 years of service.

A. A. Byerlein and C. T. Ziegler, both Vice Presidents of the B-L-H Hamilton Division, also retired from active service in 1955 after 30 years respectively.

SUBSIDIARIES • All active wholly-owned B-L-H subsidiaries with two exceptions were liquidated during 1955, assets being taken over and liabilities assumed by B-L-H. Liquidation of Sonntag Scientific Corporation, of Greenwich, Connecticut, will be carried out in 1956.

125th Anniversary

OUR HERITAGE

The year, 1956, marks the 125th Anniversary of B-L-H. In 1831, Matthias William Baldwin set up shop in Philadelphia, becoming one of America's pioneer locomotive builders.

The past year, 1955, also held historical Company significance. In 1845, 110 years ago, 26-year-old Welsh-born Job E. Owens built a foundry in Hamilton, Ohio. That same year, James and Jonathan Niles, from Connecticut founded Cincinnati's Niles Works. Again at Hamilton, Ohio, in the 1870's, two young men, George A. Rentschler and Henry C. Sohn, established the Ohio Iron Works, later the Hooven, Owens, Rentschler Company; in 1928, becoming the General Machinery Corporation, combining with the Hamilton Press and Machinery Co., and the Niles Tool Works Co.

In Lima, Ohio, John Carnes, Fred Agerter, G. W. Disman and J. M. Coe, in 1870, formed the Lima Machine Works, subsequently the Lima Locomotive Works.

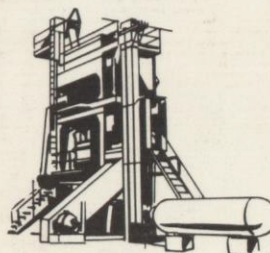
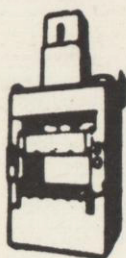
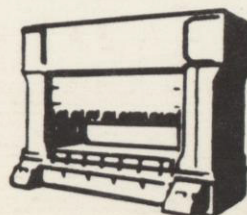
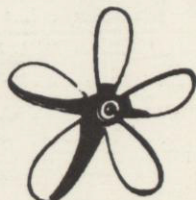
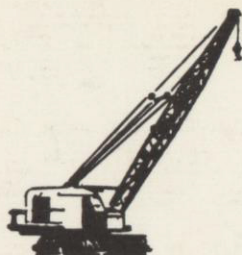
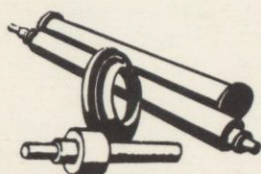
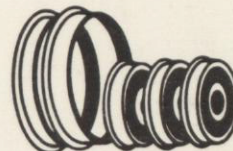
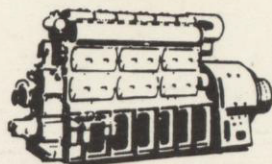
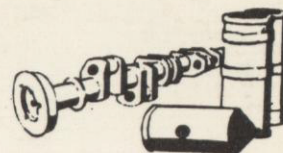
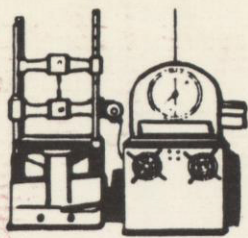
Frank C. Austin, as the Austin Company, started manufacturing road construction equipment in Illinois in 1859. Seventeen years later in Mount Pleasant, Iowa, 1876, Charles H. Smith, Warren Beckwith and A. W. McClure founded The Western Wheeled Scraper Company. They later joined as the Austin-Western Company, of Aurora, Illinois.

Eighty years ago, in 1875, Baldwin acquired the historic Standard Steel Works at Burnham, Penna. Standard antecedents date back 160 years to 1795 when William Brown and William Maclay established an iron works on the site of the present plant, which they named "Freedom Forge".

The Lima group, vastly expanded, merged with the General Machinery Corporation of Hamilton in 1947, forming the Lima-Hamilton Corporation. From this base, and with Matthias Baldwin's Pennsylvania heritage, with Austin-Western, Standard Steel, Loewy and our other important components, the nationwide, highly-diversified, Baldwin-Lima-Hamilton Corporation has grown.

B-L-H is proud of its 125th Anniversary, of its enduring tradition of service which few companies in the nation can match. Its founders stood for the modernity of tomorrow combined with the best of yesterday on a sound, conservative foundation, with no deviation from integrity of purpose. It is in the best tradition of America's industrial progress.

On this 125th Anniversary, B-L-H re-dedicates itself to these objectives.



BALDWIN-LIMA-HAMILTON CORPORATION
Philadelphia 42, Pennsylvania